

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Trust
Y= Testator
Z= Geographic location
B= Trustee
C= Organization of selection committee
D= College 1
F= College 2
G= College 3
H= State
J= Application deadline
x= Date of 4945(g) request

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated x.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X was created from the will of Y to provide funds held in trust by B and to operate a scholarship program.

The purpose of X is to furnish scholarships to worthy young residents of the area of Z, to assist in defraying the expenses of attending one of the colleges specified below. The geographical restriction "of the area of Z" does not represent a specific geographic location, but is intended for the purpose of affording a preference to applicants from that community rather than as an absolute limitation of that residential area. The trustees of C, located in Z, have the final discretion in this regard and the residence area of applicants may be construed to include other areas of the county outside of the "area of Z". The trustees of C, located in Z, and their successors have been appointed as the scholarship committee to select the recipients of the scholarships awarded by this trust .

The recipients of the scholarships shall be young people "of the area of Z" who are of good character and who have demonstrated by their high school scholarship achievements that they are capable of completing a college education. Such persons may

be of any race, creed, or religion. The scholarship committee shall have the sole and complete discretion as to the selection of the recipients, the amount of the scholarship to be awarded per year, and the number of years. They also have complete and sole discretion as to the termination of any scholarship previously granted and their decision in this respect shall be final. The financial position of the applicants, or that of their parents, shall also be considered and an applicant without funds available for a college education shall have preference over an applicant who has sufficient funds.

B, upon the request of the scholarship committee, shall advise the scholarship committee of the amount of net income available for use in the scholarship program. B shall also furnish to the committee, semi-annually, a statement of the said trust showing all receipts, disbursements, and statement of current assets.

The scholarships to be awarded from this trust shall be limited to persons who will enroll in, or are already enrolled in, D, F, G, or their successors, or any other college or university in the state of H.

The scholarship committee publicizes the scholarship program once a year in its newsletter and other printed materials and the city where the scholarship committee's organization is located also publicizes the scholarship program in its newsletter.

To be considered for a scholarship, applicants meeting the qualifications listed above must submit an application with a current resume, two character references, and a disclosure of family financial assets and liabilities to the office of the organization whose trustees have been appointed as the scholarship committee no later than J each year. Scholarships may be renewed at the discretion of the trustees of C.

Whenever the scholarship committee shall select a person, or persons, to receive a scholarship from this trust, then the name or names of such persons, the amount of the award, and the name of the college or university selected shall be certified to B and B shall thereupon pay to the college or university the amount of the scholarship on behalf of the recipient.

No scholarships may be awarded to any individual who is related by blood, adoption, or marriage to any member of the selection committee or any disqualified person of the trust (as defined in IRC Code Section 4946) as a first cousin or nearer relative. Also, a selection committee member may not benefit, directly or indirectly, from selecting certain scholarship recipients over other potential scholarship recipients. Scholarships are renewable annually at the discretion of the selection committee.

The trustee will maintain case histories showing recipients of scholarships including names, addresses, purposes of awards, amount of each award, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to the trust.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute “taxable expenditures” within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs

only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements